

**COUNTY OF SAN BERNARDINO,
CALIFORNIA**

SINGLE AUDIT REPORT

JUNE 30, 2004

COUNTY OF SAN BERNARDINO, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2004

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	3
Schedule of Expenditures of Federal Awards	5
Note to Schedule of Expenditures of Federal Awards	12
Summary of Auditors' Results	14
Schedule of Financial Statement Findings and Questioned Costs	15
Schedule of Federal Award Findings and Questioned Costs	16
Schedule of Prior Audit Findings and Questioned Costs	21



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Board of Supervisors
The County of San Bernardino, California

We have audited the financial statements of the governmental activities, the business-type activities, discretely-presented component unit, each major fund, and the aggregate remaining fund information of the County of San Bernardino (the County) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the County in a separate letter dated December 19, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors, management, Federal awarding agencies, pass-through entities and the Controller of the State of California and is not intended to be and used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 19, 2004



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

The Honorable Members of
the Board of Supervisors
County of San Bernardino, California

Compliance

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's financial statements include the operations of the Child Development Program, which expended \$39,850,230 in federal awards, which are not included in the schedule during the year ended June 30, 2004. Our audit described below did not include the grant programs of the Child Development Program because the County engaged other auditors to perform such audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedules of findings and questioned costs as items 2004-1 through 2004-5.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of internal control over compliance did not extend to the Child Development Program, which is audited by other auditors.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities discretely presented component units, each major fund, and the aggregate remaining fund information of the County of San Bernardino as of and for the year ended June 30, 2004, and have issued our report thereon, dated November 19, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavreck, Tume, Day & Co., LLP

Rancho Cucamonga, California
March 4, 2005

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
Medicaid Cluster - Department of Health and Human Services:		
California Department on Aging:		
Medi-Cal Assistance Program	93.778	\$ 545,624
California Department of Alcohol and Drug Program:		
Medi-Cal Assistance Program	93.778	1,940,894
California Department of Health Services:		
Medi-Cal Assistance Program	93.778	33,468,933
California Department of Mental Health:		
Medi-Cal Assistance Program	93.778	30,051,848
Total Medicaid Cluster		<u>66,007,299</u>
Aging Cluster - Department of Health and Human Services:		
California Department on Aging:		
Special Programs for the Aging - Title III, Part B	93.044	1,104,229
Special Programs for the Aging - Title III, Parts C1 and C2, Nutrition Services	93.045	2,010,341
Total Aging Cluster		<u>3,114,570</u>
Child Nutrition Cluster - Department of Agriculture:		
California Department of Education:		
School Breakfast Program	10.553	518,661
National School Lunch Program	10.555	802,628
Total Child Nutrition Cluster		<u>1,321,289</u>
Food Stamps Cluster - Department of Agriculture:		
California Department of Social Services:		
Food Stamps Program [1]	10.551	132,847,796
Food Stamps Administration [1]	10.561	12,568,583
California Department of Health Services:		
Nutrition Network	10.561	487,912
Public Health Institute:		
California Latino 5 A Day Campaign	10.561	107,740
Children's Five-A-Day Power Play Campaign	10.561	125,708
Total Food Stamps Cluster		<u>146,137,739</u>
Workforce Investment Act Cluster - Department of Labor		
California Employment Development Department		
Workforce Investment Act - Adult [1]	17.258	4,795,102
Workforce Investment Act - Youth [1]	17.259	4,361,199
Workforce Investment Act - Dislocated Workers [1]	17.260	3,283,879
Total Workforce Investment Act Cluster		<u>12,440,180</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
Department of Agriculture:		
California Department of Education:		
Child and Adult Care Food Program	10.558	\$ 2,055,616
California Department of Food and Agriculture:		
Inspection, Grading, and Standardization	10.162	6,657
California Department of Health Services:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7,733,511
State Controller:		
Schools and Roads - Cluster	10.665	130,740
Direct Programs:		
Exotic Newcastle Disease Emergency	10.000	17,747
Forestry Research Grant	10.652	50,696
Cooperative Agreement for Controlled Substances	10.664	15,000
Economic Incentive for Small Business Wood Product Processing & Market Development for Wood Product	10.670	49,769
Hand Crew for Fuel Reduction Project	10.670	200,000
Economic Incentive for Small Business Wood Product Processing & Market Development for Wood Product	10.672	1,467
San Bernardino CSA 70 Improvement Zone S-7 (Title CSA 70 S-7 Lenwood Sewer Project)	10.760	1,719,748
Total Department of Agriculture		<u>11,980,951</u>
Department of Education:		
California Department of Alcohol and Drug Program:		
Safe and Drug-Free Schools	84.186	<u>147,338</u>
Department of Health and Human Services:		
California Emergency Medical Services Authority:		
US Health Resources & Services Administration's National Bio-terrorism Hospital Preparedness Program	93.000	19,342

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
California Children's Fund:		
Early Learning Opportunities Grant	93.577	355,431
California Department of Alcohol and Drug Program:		
Substance Abuse Prevention and Treatment Block Grant	93.959	11,125,468
California Department of Health Services:		
Project Grants for Tuberculosis Control	93.116	233,833
Acquired Immunodeficiency Syndrome	93.118	225,000
Childhood Immunization Grant	93.268	354,914
Public Health Preparedness and Response and Response to Bioterrorism	93.283	1,892,978
HIV Care Formula Grant - Title II	93.917	811,324
Project Lean - Food on the Run	93.991	78,250
Maternal and Child Health Services Block Grant	93.994	1,248,569
Total California Department of Health Services		<u>4,844,868</u>
California Department of Mental Health:		
Projects for Assistance in Transition from Homelessness	93.150	208,942
Mental Health Services Block Grant	93.958	3,341,983
Total California Department of Mental Health		<u>3,550,925</u>
California Department of Social Services:		
Healthy Schools/Healthy Communities	93.151	263,800
Family Preservation and Support Services	93.556	2,646,336
Temporary Assistance to Needy Families [1]	93.558	186,876,683
Child Support Enforcement	93.563	24,310,019
Refugee and Entrant Assistance	93.566	39,495
Refugee and Entrant Assistance - Admin	93.566	3,838
Adoption Incentive Payments	93.603	245,800
Child Welfare Services - State Grants	93.645	1,806,353
Adoption Assistance	93.659	7,156,454
Adoption Assistance - Admin	93.659	1,734,883
Independent Living Skills	93.674	1,371,902
		<u>226,455,563</u>
Foster Care - Title IV - E	93.658	54,662,024
Foster Care - Title IV - E - PRB	93.658	12,171,177
Subtotal Foster Care		<u>66,833,201</u>
Total California Department of Social Services		<u>293,288,764</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
California Department on Aging:		
Special Programs for the Aging - Title VII-B	93.041	20,872
Special Programs for the Aging - Title VII-A	93.042	100,456
Special Programs for the Aging - Title III, Part F	93.043	156,304
Family Caregiver	93.052	907,346
Nutrition Program for the Elderly	93.053	667,184
Health Care Financing Research Demonstrations Project	93.779	21,298
Total California Department on Aging		<u>1,873,460</u>
California Family Planning Commission:		
Family Planning Service - Title X	93.217	<u>582,145</u>
Direct Programs:		
SPRANS Community-Based Abstinence Education	93.110	1,934
Head Start Program	93.600	33,091,040
HIV Cluster - HIV Emergency Relief Formula Grant Title I	93.914	7,896,113
Grants to Provide Outpatient Services for HIV Disease - Title III	93.918	258,149
Total Direct Programs		<u>41,247,236</u>
Total Department of Health and Human Services		<u>356,887,639</u>
Department of Housing and Urban Development:		
City of Riverside:		
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	<u>651,862</u>
Direct Programs:		
Community Development Entitlement and Small Cities Cluster:		
Community Development Block Grant	14.218	12,610,105
Emergency Shelter Grant Program	14.231	263,161
HOME Investment Partnerships Program [1]	14.239	3,204,033
Total Department of Housing and Urban Development		<u>16,729,161</u>
Department of Justice:		
California Board of Corrections:		
Operation Cleansweep	16.523	535,722
California Office of Criminal Justice and Planning:		
Juvenile Accountability Incentive Grant	16.523	471,616
Marijuana Suppression Program	16.579	250,000
Edward Byrne Memorial Grant	16.580	408,917
Total California Office of Criminal Justice and Planning		<u>1,130,533</u>
California Office of Emergency Services:		
Elder Abuse Advocacy and Outreach Program	16.575	38,035
Special Emphasis Victim Witness Assistance Program	16.575	138,393
Victim Witness Assistance Program	16.575	967,564

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
Elder Abuse Advocacy and Outreach Program	16.579	115,927
Street Enforcement and Prosecution	16.579	906,833
Marijuana Suppression Program	16.579	91,643
Crime Laboratory Education and Training Program	16.560	8,746
		<u>2,267,141</u>
Drug Enforcement Administration:		
Domestic Cannabis Eradication/Suppression Program	16.000	<u>47,000</u>
Direct Programs:		
Southwest Border Prosecution Initiative	16.SBP	1,888,750
Federal Asset Forfeitures Program	16.000	1,508,813
2003 Congressional Earmark Funds	16.580	73,314
Local Law Enforcement Block Grant - 2002	16.592	109,922
Local Law Enforcement Grant - 2003	16.592	43,496
Local Law Enforcement Block Grant - 2001	16.592	166,036
Community Prosecution Grant	16.609	147,651
Home Run Program (COPS MORE)	16.710	251,800
2002 Technology Initiative	16.710	1,439,140
Cops More Grant	16.710	2,608,375
Total Direct Programs		<u>8,237,297</u>
Total Department of Justice		<u>12,217,693</u>
Department of Labor:		
California Department on Aging:		
Senior Community Service Employment Program - Title V	17.235	324,154
California Employment Development Department:		
Welfare-to-Work	17.253	613,654
Workforce Investment Act - Incentive Grants	17.266	59,309
National Council on Aging:		
Senior Community Service Employment Program - Title V	17.235	448,493
Total Department of Labor		<u>1,445,610</u>
Department of the Interior - Bureau of Land Management:		
State Controller's Office:		
Payment in Lieu of Tax	15.226	1,690,621
Taylor Grazing Act	15.227	12,946
Total Department of the Interior - Bureau of Land Management		<u>1,703,567</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
Department of the Interior - Bureau of Reclamation:		
Direct Programs:		
Grand Canyon Sedimentation, Vegetation, and Avian Use Study	15.000	55,539
Reclamation and Water Reuse Program [1]	15.504	8,296,603
Southwestern Willow Flycatcher Field Study	15.BCD	14,112
Total Department of the Interior - Bureau of Reclamation		<u>8,366,254</u>
Department of Transportation:		
California Department of Transportation:		
Highway Planning and Construction Cluster - Highway Planning and Construction Grant [1]	20.205	2,192,820
Direct Program:		
Airport Improvement Program	20.106	577,663
Total Department of Transportation		<u>2,770,483</u>
Environmental Protection Agency:		
State Water Resources Control Board:		
Lenwood Sewer Project	66.606	528,956
State Underground Storage Tanks Program	66.804	14,530
Total Environmental Protection Agency		<u>543,486</u>
Department of Homeland Security:		
California Office of Emergency Services:		
FY 2003 State Homeland Security Grant Program Part I	97.067	480,455
FY 2002 State Homeland Security Grant Program Part II	97.067	1,575,820
FY 2002 State Domestic Preparedness Equipment Program	97.004	703,071
FY 2001 State Domestic Preparedness Equipment Program	97.004	409,671
FEMA - Public Assistance Grants [1]	97.036	5,045,394
Hazard Mitigation	97.039	831,402
Total California Office of Emergency Services:		<u>9,045,813</u>
Direct Program:		
Citizen Corp CERT Grant FY 2003	97.053	51,965
Total Department of Homeland Security		<u>9,097,778</u>
Institute of Museum and Library Services:		
California State Library:		
Regional Environmental Literacy Initiative	45.310	70,396
Total Institute of Museum and Library Services		<u>70,396</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Award Expenditures</u>
Office of National Drug Control Policy:		
County of Riverside:		
High Intensity Drug Trafficking Area -		
Riverside Methamphetamine Task Force	16.000	675,000
Direct Program:		
High Intensity Drug Trafficking Area	16.000	636,101
Total Office of National Drug Control Policy		<u>1,311,101</u>
United States Army Corp. of Engineers:		
Direct Program:		
San Timeteo Creek County Flood Control Project Loan	12.000	<u>3,285,404</u>
United States Marshall Office:		
Direct Program:		
Federal Inmates	16.000	<u>17,077,353</u>
Total Expenditures of Federal Awards		<u>\$ 672,655,291</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the County of San Bernardino, California (the County), except for those programs operated by the Child Development Department, which were audited by other auditors engaged by the County. The aforementioned program is included in the County's financial statements; however, excluded from the Schedule of Expenditures of Federal Awards. A separate single audit report is issued for the Child Development Department. Federal awards received directly from federal agencies, as well as, federal awards, passed through the State of California and various agencies are included in this schedule. The County's reporting entity is defined in Note #1 to the County's financial statements.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note #1 to the County's financial statements.

C. Relationship to Basic Financial Statements

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements.

Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue Funds.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, with the amounts reported in the related federal financial reports.

E. Outstanding Loans

At June 30, 2004, outstanding loans under the Department of Interior - Bureau of Reclamation - Reclamation and Water Reuse Program and US Army Corp of Engineers are \$11,361,512 and \$6,000,000, respectively.

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

F. Amount Provided to Subrecipients

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Federal Award Expenditures
Child and Adult Care Food Program	10.558	\$ 189,806
California Latino 5 a Day Campaign	10.561	10,000
Children 5-a-day Power Play Campaign	10.561	13,200
Economic Incentives for Small Business Wood Product Processing & Market Development for Wood Product	10.670	25,000
Community Development Block Grant	14.218	4,949,445
HOME Investment Partnerships Program	14.239	253,586
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	609,217
High Intensity Drug Trafficking Area	16.000	37,329
High Intensity Drug Trafficking Area-County of Riverside	16.000	45,212
Juvenile Accountability Incentive	16.523	168,437
Edward Byrne Memorial	16.580	202,518
Workforce Investment Act - Adult	17.258	328,192
Workforce Investment Act - Youth	17.259	2,615,580
Workforce Investment Act - Dislocated Workers	17.260	269,740
Supportive Services Program, Title III, Part B	93.044	368,398
Nutrition Programs, Title III, Part C1 & C2	93.045	2,008,848
Family Caregiver	93.052	572,195
Nutrition Program for the Elderly	93.053	642,311
Healthy Schools/Healthy Communities	93.151	143,915
Family Preservation and Support Services	93.556	1,192,239
Early Learning Opportunities Grant	93.577	29,318
Head Start	93.600	2,396,140
Independent Living Skills	93.674	1,087,590
Medical Assistance Program	93.778	7,398,970
Health Care Financing Research Demonstrations & Evaluations	93.779	21,298
HIV Emergency Relief Formula Grant-Title I	93.914	4,325,873
Mental Health Services Block Grant	93.958	1,214,301
Substance Prevention and Treatment Block Grant	93.959	7,864,389
FY 2001 State Domestic Preparedness Equipment Program	97.004	161,446
FY 2003 State Homeland Security Grant Program Part I	97.067	46,116
FY 2003 State Homeland Security Grant Program Part II	97.067	123,169
Total Amount Provided to Subrecipients		<u>\$ 39,123,972</u>

COUNTY OF SAN BERNARDINO, CALIFORNIA

SUMMARY OF AUDITORS' RESULTS
YEAR ENDED JUNE 30, 2004

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>14.239</u>	<u>HOME Investment Partnership Program</u>
<u>15.504</u>	<u>Reclamation and Water Reuse Program</u>
<u>17.258, 17.259, 17.260</u>	<u>Workforce Investment Act Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>
<u>97.036</u>	<u>FEMA - Public Assistance Grants</u>
<u>93.558</u>	<u>Temporary Assistance for Needy Families</u>
<u>10.551, 10.561</u>	<u>Food Stamp Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004**

There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS JUNE 30, 2004

The following findings represent reportable conditions and instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

Finding 2004-1

Program: HOME Investment Partnerships Program

CFDA No: 14.239

Award No: M-03-DC-06-0532

Award Year: Fiscal Year 2003-2004

Compliance Requirement: Program Income

Questioned Costs: Unknown

Criteria:

The *March 2004 OMB Circular A-133 Compliance Supplement* and the *Code of Federal Regulation (CFR) No. 24 CFR 92.503* definition of recaptured funds includes recaptured payments of principal and interest on loans made using HOME funds or matching contributions. HUD's Notice CPD 97-9 requires that the County utilize the Integrated Disbursement and Information System (IDIS) to record the receipt and use of HOME recaptured funds. Further, per 24 CFR 92.502, recaptured funds which are deposited into the local account (County Treasurer) must be used for allowable activity costs before additional HOME allocation funds are drawn down. A participating local jurisdiction may not draw down HOME allocation funds while allowing recaptured funds to accumulate in its local account. Available recaptured funds must be used to pay the next eligible activity cost (or portion thereof).

Condition Found:

In accordance with HUD requirements, the County is required to report all recaptured funds, including principal and interest received from loans made with HOME funds, in HUD's IDIS System. Through review of loan pay-off transactions, it was noted that \$1,751,866 in recaptured funds received in fiscal year 2003-2004 was not reported in the IDIS system. Further, \$1,631,706 of recaptured funds received in previous fiscal years was not reported in IDIS.

Cause:

The County of San Bernardino's procedures for tracking repayment of loans does not appropriately include the necessary steps to capture the information in the IDIS system.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS JUNE 30, 2004

Effect:

In accordance with 24 CFR 92.502, recaptured funds which are deposited into the local account (County Treasurer) must be used before additional HOME allocation funds are drawn down. A participating local jurisdiction may not draw down HOME allocation funds while allowing recaptured funds to accumulate in its local account. Available recaptured funds must be used to pay the next eligible activity cost (or portion thereof). The effect of not reporting recaptured funds in the IDIS system incorrectly represents the amount available for activity costs and thus inappropriately allowing the County to draw down funds from the Federal Treasury prior to depleting the activity's current available resources collected directly by the County. Further, the incorrect reporting of available resources could result in recaptured funds being held in excess of the period of availability and disallowance of federal resources.

Recommendation:

We recommend that the County implement policies and procedures to ensure all recaptured funds received are properly recorded in the IDIS system.

Finding 2004-2

Program: HOME Investment Partnerships Program

CFDA No: 14.239

Award No: M-03-DC-06-0532

Award Year: Fiscal Year 2003-2004

Compliance Requirement: Reporting

Questioned Costs: None

Criteria:

The March 2004 Office of Budget and Management (OMB) *OMB Circular A-133 Compliance Supplement* and the *Code of Federal Regulation (CFR) No. 24 CFR 92.550* require that the County prepare and submit annually a Consolidated Annual Performance Evaluation Report (CAPER) that details financial and performance results of the HOME program.

Condition Found:

Through review of information reported to HUD in the CAPER, the following discrepancies were noted:

- On form HUD-40107-A, the excess match reported by the County was understated by \$4,512,328, compared to the County's underlying accounting records.
- The reconciliation of total expenditures reported in the County's Financial Accounting System (FAS) to the 2003-2004 Summary of Consolidation Plan Projects (C04PR06) produced a difference of \$475,833.
- The June 30, 2004 balance of program income reported by the County of \$1,091,438 does not agree to the County's underlying accounting records.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004**

Effect:

The required HOME reports are not in agreement with the underlying accounting records.

Recommendation

We recommend that the County implement procedures to reconcile the County's Financial Accounting System (FAS) to the CAPER. In addition, we recommend that procedures are implemented to ensure that all financial and performance results are reported to HUD accurately.

Finding 2004-3

Program: HOME Investment Partnerships Program

CFDA No: 14.239

Award No: M-03-DC-06-0532

Award Year: Fiscal Year 2003-2004

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: None

Criteria:

The March 2004 Office of Budget and Management (OMB) *OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor subrecipient activities to provide reasonable assurance that the subrecipient administers the award in compliance with federal requirements.

Condition Found:

It was noted that the County does not perform contract administration and monitoring procedures of the subrecipient of the HOME program.

Effect:

The lack of formal monitoring procedures may result in noncompliance with federal requirements.

Recommendation:

We recommend that the County implement formal monitoring procedures over its HOME subrecipient to ensure compliance with federal requirements.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004**

Finding 2004-4

Program: WIA Cluster

CFDA No.: 17.258, 17.260

Passed-through: California Employment Development Department

Award Year: 2003/2004

Compliance Requirement: Eligibility

Questioned Costs: Unknown

Criteria:

The March 2004 Office of Budget and Management (OMB) *OMB Circular A-133 Compliance Supplement* requires all individuals to meet the following requirements to be determined eligible for WIA funding:

- 18 years of age or older
- Before receiving training services, an adult or dislocated worker must have received at least one intensive service, been determined to be unable to obtain or retain employment through intensive services and met all of the following requirements:
 - 1) Interview, evaluation, or assessment and determination of needed training services.
 - 2) Selected training services linked to employment
 - 3) Unable to obtain grant assistance from other sources.

Condition Found:

During the eligibility determination process, Job Employment Services Division Employment Service Specialists (ESS) are required to obtain various documentation to support that the compliance requirements above have been met.

Based on the testing performed the following was noted:

- In 2 of 40 cases, the driver's license or some form of proof of age was missing.
- In 2 of 40 cases, documentation to support that intensive or core services were performed was missing from case files.
- In 23 of 40 cases, documentation was missing to support any financial analysis was performed to determine if the client was unable or not eligible to obtain grant assistance.
- In 2 of 40 cases, documentation was missing to support an assessment, interview, evaluation or determination of needed training services was conducted.

Effect:

Without the required documentation to support a participant's eligibility, participants could be allowed in the program that are not eligible for federal WIA funds based on the eligibility requirements.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004**

Recommendation:

We recommend that the County implement stronger policies and procedures to ensure all federal required documentation is maintained in the case files as evidence that the correct eligibility determinations have been made.

Findings 2004-5

Program: WIA Cluster

CFDA No.: 17.258, 17.259, 17.260

Passed-through: California Employment Development Department

Award Year: 2003/2004

Compliance Requirement: Reporting

Questioned Costs: Unknown

Criteria:

The March 2004 Office of Budget and Management (OMB) *OMB Circular A-133 Compliance Supplement* and the State of California Employment Development Department require all WIA grant reports to be submitted by the 20th of the following month.

Condition Found:

Of the 27 reports tested we noted 12 reports that were submitted 1 to 8 days after the required due date.

Effect:

Lack of formal procedures to ensure timely reporting in accordance with State and Federal guidelines jeopardizes compliance with federal and state reporting requirements.

Recommendation:

We recommend that the County implement procedures to ensure that required reports are submitted by the required due date in order to ensure compliance with federal and state requirements related to reporting.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

Finding No.	Program	CFDA No.	Compliance Requirement	Status
2003-1	Medicaid Cluster	93.778	Eligibility	Implemented
2003-2	Medicaid Cluster	93.778	Reporting	Implemented
2003-3	Medicaid Cluster	93.778	Special Tests and Provisions – Provider Eligibility	Implemented
2003-4	Adoption Assistance	93.659	Eligibility	Implemented
2003-5	Adoption Assistance	93.659	Eligibility	Implemented
2003-6	Food Stamps Cluster	10.551 and 10.561	Special Tests and Provisions	Implemented
2003-7	Temporary Assistance for Needy Families (TANF)	93.558	Eligibility	Implemented
2003-8	Head Start	93.600	Earmarking	Implemented
2003-9	Child Support Enforcement Program	93.563	Eligibility	Implemented
2003-10	Child Support Enforcement Program	93.563	Eligibility	Implemented
2003-11	Substance Abuse Prevention and Treatment Block Grant	93.959	Subrecipient Monitoring	Implemented
2003-12	Medicaid Cluster	93.778	Allowable Costs and Activities	Implemented
2003-13	Mental Health Services Block Grant	93.958	Subrecipient Monitoring	Implemented
2003-14	Mental Health Services Block Grant	93.958	Subrecipient Monitoring	Implemented



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

March 4, 2005

Board of Supervisors
County of San Bernardino
San Bernardino, CA

Ladies and Gentlemen:

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004 and have issued our report thereon dated March 4, 2005. In planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion that the County has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

HOME INVESTMENT PARTNERSHIPS PROGRAM, CFDA NO. 14.239

SPECIAL TESTS AND PROVISIONS - HOUSING QUALITY STANDARDS

OBSERVATION:

The Code of Federal Regulation (CFR) No. 24 sections 92.251, 92.252 and 92.504 require that during the period of affordability for HOME assisted rental housing, participating jurisdictions must perform on-site inspections to determine compliance with property standards and verify information submitted by the owners no less than: (a) every three years for projects containing 1 to 4 units, (b) every two years for projects containing 5 to 25, and (c) every year for projects containing 26 or more units.

Through review of project files for on-site inspection documentation, it was noted that timely inspections were not performed for 10 of 25 projects selected for testing. The on-site inspections for the ten projects were noted to be several months past due ranging from seven to nine months past due.

RECOMMENDATION:

Although the County scheduled inspections during the anniversary year, we recommend that the County implement procedures that would provide closer monitoring of timelines consistent with the anniversary date of when the project became affordable for the required periodic inspections.

COUNTY'S RESPONSE

We concur. County ECD has implemented procedures that provide monitoring and the required periodic inspections of HOME funded projects consistent with the anniversary date of when the project became affordable.

WORKFORCE INVESTMENT ACT CLUSTER

ELIGIBILITY

OBSERVATION:

While performing testing over the internal controls over eligibility determinations of program participants, it was noted that the department policies identify various internal controls to document eligibility determinations. However, it was noted that the internal controls were not consistently applied. One such control subject to this circumstance was the review of eligibility determinations and State Applications by the program supervisor. The represented procedure was that each State application is reviewed, evidenced by a supervisor's signature. However, during our testing, it was noted that supervisor's signature and/or the signature page was missing in some cases. As a result, the risk of noncompliance with eligibility requirements is increased.

RECOMMENDATION:

Given that policies and procedures exist, we recommend that the department ensure caseworkers and program supervisors adhere to these standards. Accountability for compliance with the department's policies and procedures should be maintained and enforced.

COUNTY'S RESPONSE

We concur. The Department has instructed staff at the both the supervisory and case management levels to adhere to the department's existing policies and procedures that require a supervisor to sign each application after review as evidence that compliance with the eligibility requirements of the grant program have been met.

WORKFORCE INVESTMENT ACT CLUSTER

CASH MANAGEMENT

OBSERVATION:

While performing testing over the internal controls over cash management it was noted the same employee both prepares and submits the State grant draw down request. This resulted in a segregation of duties conflict over the cash management process and increase risk to misstatement of draw down reports.

RECOMMENDATION:

We recommend preparation and submittal functions over the drawdown request should be performed by different staff to ensure no one person has complete control over the draw down process.

COUNTY'S RESPONSE

We concur. The Department has reassigned the responsibility for performing the State draw to a separate staff person from the person who is responsible for preparing the State drawn down request. Prior to the State draw down action, the request is reviewed and authorized by signature of the Administrative Supervisor.

FOOD STAMPS CLUSTER, TEMPORARY ASSISTANCE FOR NEEDY FAMILIES ALLOWABLE COSTS

OBSERVATION

The Fiscal year 2004 grant agreement with the State of California requires the County to submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement. The CEC is used by the County to allocate payroll expenditures to various Federal programs within the County's Health Services System (HSS) Department. Payroll hours incurred for specific programs are charged directly to the respective program. However, administrative payroll hours (sick leave, etc) are pooled and allocated to the Federal programs on the basis of direct hours incurred.

The County submits the CEC for program administrative costs to the State of California on a quarterly basis for reimbursement. Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. During our internal control testwork, we noted instances whereby the employee's leave-time reported on the Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various Federal programs on the CEC may be inaccurate. Specifically, there are costs that should have been included in the administrative cost pool for allocation but instead were directly applied to Federal programs. The amount of the overall discrepancy to each Federal program is immaterial.

RECOMMENDATION

We recommend that the County review the current preparation process for the quarterly time summary reports and implement formal reconciliation and review procedures of the TLR and the time study reports in order to ensure the accuracy of the time study summary reports. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

COUNTY'S RESPONSE

We concur. HSS Management has put measures in place to reduce time study errors. The following measures have been taken:

1. HSS has enhanced the Eligibility Time Study application by adding more options for recording non-allocable time to allow for detailed reports which management can use to monitor staff adherence to Time Study instructions.
2. Staff has received instructions emphasizing the importance and effect of the time study on the expense claim and funding.
3. Supervisors have received additional training in the review of time studies.
4. The HSS Administrative Support Division/Auditing Unit conducts sample reviews of time studies on a quarterly basis and reports results to management for corrective action.

HSS executive management meets with supervisors and/or their staff who continue to have errors on their time studies.

PRIOR YEAR MANAGEMENT LETTER COMMENTS

HEAD START, CFDA NO. 93.600 CASH MANAGEMENT

OBSERVATION

It was noted during testing that federal funds drawn down were used to cover costs reimbursable by the State of California for a similar program. Under the OMB, A-133 compliance requirements, the recipient of federal funds must utilize procedures that prevent the short-term borrowing of proceeds by other programs. Although, these amounts were immaterial in nature, the existence of this condition increases the risk of noncompliance with the A-133 "Cash Management" requirements.

RECOMMENDATION

We recommend that the County develop and implement procedures to ensure that only the immediate cash needs pertaining to the Head Start federal program are drawn down. For costs shared between both federal and state programs, the County should consider utilizing estimates based on matching requirements or other reasonable means to apply consistent treatment for drawdowns.

STATUS

Implemented

HEAD START, CFDA NO. 93.600

ELIGIBILITY

OBSERVATION

While performing testing over the internal controls over eligibility determinations of program participants, it was noted that the department policies identify various internal controls to document eligibility determinations. However, it was noted that the internal controls were not consistently applied. One such control subject to this circumstance was the review of eligibility determinations and case files by the program supervisor. The represented procedure was that each file is periodically reviewed, evidenced by a program supervisor's signature. However, during our testing, it was noted that supervisor's signatures were missing in some cases. As a result, the risk of noncompliance with eligibility requirements is increased.

RECOMMENDATION

Given that policies and procedures exist, we recommend that the department ensure that caseworkers and program supervisors adhere to these standards. Accountability for compliance with the department's policies and procedures should be maintained and enforced.

STATUS

Implemented

**HEAD START, CFDA NO. 93.600
REPORTING**

OBSERVATION

As specified in the financial assistance award and ACF program manual, the fiscal officer of the Department may not sign the required SF-269 Financial Status Report, even if this individual compiles the information. During fiscal year 2002-03, the department's Financial Status Reports were signed by the fiscal officer.

RECOMMENDATION

We recommend that the department transfer the signatory authority of the SF-269 Financial Status Reports to the Executive Director. Although fiscal personnel compile the financial information, the Financial Status Reports should be reviewed and approved by the fiscal officer prior to review of the Executive Director (or authorized representative outside of the fiscal function).

STATUS

Implemented

FOOD STAMPS CLUSTER, MEDICAID CLUSTER, TANF, AND ADOPTION ASSISTANCE

ALLOWABLE COSTS

OBSERVATION

The Fiscal year 2003 grant agreement with the State of California requires the County to submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement. The CEC is used by the County to allocate payroll expenditures to various Federal programs within the County's Health Services System (HSS) Department. Payroll hours incurred for specific programs are charged directly to the respective program. However, administrative payroll hours (sick leave, etc) are pooled and allocated to the Federal programs on the basis of direct hours incurred.

The County submits the CEC for program administrative costs to the State of California on a quarterly basis for reimbursement. Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. Of the 57 employee time study transactions selected from the quarterly time study reports for testwork, we noted 6 instances whereby the employee's leave-time reported on the Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various Federal programs on the CEC may be inaccurate. Specifically, there are costs that should have been included in the administrative cost pool for allocation but instead were directly applied to Federal programs. The amount of the overall discrepancy to each Federal program is currently not known.

RECOMMENDATION

We recommend that the County review the current preparation process for the quarterly time summary reports and implement formal reconciliation and review procedures of the TLR and the time study reports in order to ensure the accuracy of the time study summary reports. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

STATUS

Not Implemented

Our audit procedures are designed primarily to enable us to form an opinion on the County's compliance with the requirements that are applicable to each of its major federal programs for the year ended June 30, 2004, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time. This report is intended solely for the information and use of the Board of Supervisors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Vavunike, Trine, Day & Co., LLP

Rancho Cucamonga, California
March 4, 2005

**COUNTY OF SAN BERNARDINO
CALIFORNIA**

Corrective Action Plan

Year ended June 30, 2004

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2004

HOME Program

CFDA No. 14.239

Finding 2004-01

Department's Response

We concur.

Corrective Action Plan

As of February 18, 2005, all program income generated by the use of HOME Program funds, from program inception through FY 2003-04, has been entered into the IDIS database. Procedures have been implemented to ensure that the HOME Program staff will enter program income into IDIS on a monthly basis. The Program Manager will review IDIS and verify that this is done on a monthly basis.

This finding stated that \$1,751,866 in program income was received in fiscal year 2003-04 and \$1,631,706 of program income was received in previous fiscal years. These funds were provided by the re-payment of Homeownership Assistance Program (HAP) loans. The audit report also stated that in accordance with 24 CFR 92.502, program income which is deposited into the local account (County Treasurer) must be used before additional HOME allocation funds are drawn down. A participating local jurisdiction may not draw down HOME allocation funds while allowing program income to accumulate in its local account. Available program income must be used to pay the next eligible program cost (or portion thereof).

ECD has reviewed this with Cheryl Hamilton, the County's Community Planning and Development representative from the Department of Housing and Urban Development (HUD) in Los Angeles. The Los Angeles HUD office has concurred with the County that these funds are "Recaptured Funds" as opposed to "Program Income". As a result, ECD has implemented procedures to ensure that the repayment of HAP loans is properly receipted in IDIS under "RE" and not "PI".

Name of Responsible Person: Tom Ramirez, Supervising ECD Analyst

Name of Department Contact: Tom Ramirez, Supervising ECD Analyst

Projected Implementation Date: April 15, 2005

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2004

HOME Program

CFDA No. 14.239

Finding 2004-02

Department's Response

We concur.

Corrective Action Plan

The HOME Program will implement procedures to reconcile the Financial Accounting System (FAS) to the Consolidated Annual Performance Evaluation Report (CAPER), on an annual basis. The program will also reconcile FAS to the Consolidated Plan Projects (IDIS Report C04PR6) on a monthly basis. Any discrepancies will be researched and corrected if necessary. The Program Manager will review the reconciliation documents monthly. The fiscal section currently balances expenses and revenues for this fund on a weekly basis ensuring expenses and receipts are recorded properly in FAS.

ECD will correct any excess match reported on HUD form 40107 – A, and reconcile the total expenditures reported in FAS to the 2003-04 Summary of Consolidated Plan Projects (CO4PRO6).

Finally, discrepancies in the reconciliation of program income received during FY 2004, the July 1, 2003 program income balance reported by the County and the June 30, 2004 balance of program income were caused by the audit report's inclusion of HAP loan repayments as program income. ECD will receipt these loan repayments as recaptured funds in IDIS and not as program income.

Name of Responsible Person: Tom Ramirez, Supervising ECD Analyst

Name of Department Contacts: Tom Ramirez, Supervising ECD Analyst

Projected Implementation Date: April 15, 2005

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2004

HOME Program

CFDA No. 14.239

Finding 2004-03

Department's Response

We concur.

Corrective Action Plan

The County Department of Economic and Community Development (ECD) will conduct on-site monitoring of the Housing Authority of the County of San Bernardino (HACSB) on an annual basis. HACSB is ECD's only HOME Program funded sub-recipient. HACSB implements the County's Tenant Based Rental and Security Deposit Assistance (TBA) program. Annual on-site monitoring will begin on April 13, 2005. All monitoring correspondence and the TBA on-site monitoring check list have been submitted to the Office of the Auditor/Controller-Recorder.

Name of Responsible Person: Tom Ramirez, Supervising ECD Analyst

Name of Department Contacts: Adriane Rich, ECD Specialist I

Projected Implementation Date: April 13, 2005

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2004

WIA Cluster

CFDA No. 17.258, 17.260

Finding 2004-04

Department's Response

The Department concurs with the finding.

Corrective Action Plan

Staff has been instructed to include in case narratives the documentation to support the local gateway activities used for determining that intensive or training services are required for the participant/client to achieve the goal of obtaining or retaining self-sufficient employment. The local Workforce Investment Board (WIB), as allowed per Federal Regulations, acknowledges that any core service, such as initial assessment of need, may be the acceptable gateway activity to the WIA level of service; core, intensive or training.

The Department has instructed staff to complete and include in case files a *Financial Needs Analysis* for all participants, including those who have been referred for services from the County California Work Responsibility to Kids (CalWORKs) programs.

Responsible Person: Barbara Halsey, JESD Director

Contact Person: Sandy Harmsen, Manager

Implementation Date: Immediately (March 28, 2005)

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2004

WIA Cluster

CFDA No. 17.258, 17.259, 17.260

Finding 2004-05

Department's Response

The Department concurs with the finding.

Corrective Action Plan

As of July 1, 2004, the department implemented WIA Directive 03-8, dated November 25, 2003, that revised the monthly financial reporting requirements for formulary grants to a quarterly reporting system. Since that procedural change, the department has met all deadlines for the 2004-2005 expenditure reports.

Responsible Person: Linda Foster, Manager

Contact Person: Marilyn Trombetta, Supervisor

Implementation Date: July 1, 2004